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Martin: AZ on course to run out of money within weeks

If the Legislature doesn't act soon, the state will be forced to borrow money to cover the daily cost of running government for the first time since the Great Depression, according to state Treasurer Dean Martin.

Money could run out in as little as six weeks, Martin said at a Jan. 5 press conference.

"The state's been consistently spending more than it makes for more than a year now," he said.

An analysis by the treasurer's staff shows that the state's fund balance could dip to negative \$50 million on Feb. 23 at the earliest and mid-March under a more optimistic scenario.

"No matter what (lawmakers) do with the budget, we'll be negative in March or April," Martin said.

With no reserves to cover the bills, that could force the state to borrow at least that much, if not far more.

"Essentially, the state is broke," said House Speaker-elect Kirk Adams, R-Mesa.

Martin, in anticipation of the state's coffers being completely drained, said he is arranging for a meeting with the state's Loan Commission later this week to set a maximum interest rate Arizona would pay for the daily loans it would need to cover the cost of government operations.

Martin is a member of the three-person Loan Commission, which also includes Gov. Janet Napolitano and Department of Administration Director Bill Bell.

Martin said Arizona's budget crisis is the result of state spending that has far outpaced revenue collections since 2006. That year, the state spent about \$8.4 billion and collected nearly \$9.3 billion. In the 2009 budget year, though, spending obligations have grown to \$11.2 billion, while revenue collections have fallen far short of predictions when the budget was passed in June.

Martin's most recent forecast shows the state will collect only \$7.7 billion in tax revenue in the 2009 budget year, roughly \$1.5 billion less than anticipated.

Martin suggested lawmakers use the 2006 spending levels as a guide when they convene Jan. 12 to tackle the budget.

"Basically, they've got to look to going back to 2006," he said. "The time for small measures is over. You can't get through this by nickel-and-diming."

Loans would only add to budget problems down the road, as the money would have to be paid back with interest. The action also will likely hurt the state's bond rating, as lenders don't look kindly on borrowers who have no cash.

Martin has shared the bad news with incoming legislative leaders and Jan Brewer's gubernatorial transition team. In November, Martin told the Arizona Capitol Times that the state was on pace to run out of money in early 2009.

Martin said the only chance of dodging the borrowing bullet would be if the federal government enacted a stimulus program that would send aid to state and local governments. But Martin said if that aid comes in the form currently being planned _ grants for specific projects _ it wouldn't help the state's bottom line.

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